

**Audit of Estimating System and
Related Internal Controls**

June 2005

Reference Number: 2005-1C-063

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



INSPECTOR GENERAL
for TAX
ADMINISTRATION

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 27, 2005

MEMORANDUM FOR DAVID A. GRANT
DIRECTOR OF PROCUREMENT
INTERNAL REVENUE SERVICE

Daniel R. Devlin

FROM: Daniel R. Devlin
Assistant Inspector General for Audit (Headquarters Operations
and Exempt Organizations Programs)

SUBJECT: Audit of Estimating System and Related Internal Controls
(Audit #20051C0218)

The Defense Contract Audit Agency (DCAA) examined the contractor's Federal Sector December 22, 2004, estimating system to assure the contractor's estimating system and related internal controls comply with applicable laws and regulations, and are effective, adequate, and operating effectively.

The DCAA indicated that it is the contractor's policy to not provide the DCAA with internal audit reports and workpapers. The DCAA also said the contractor's policy limits its ability to assess the effectiveness of the contractor's internal audit function in monitoring their organizational, accounting, and operational controls. According to the DCAA, without access to internal audit workpapers, it was unable to verify whether the contractor's internal audits covered the appropriate compliance steps, or whether the internal auditors identified concerns that they would consider reportable.

The DCAA opined that except for the qualification described above, the estimating and related internal control policies and procedures of the contractor's Federal Sector are adequate. The DCAA examined only the estimating system. Accordingly, the DCAA expresses no opinion on the contractor's system of internal controls taken as a whole.

The information in this report should not be used for purposes other than those intended without prior consultation with the Treasury Inspector General for Tax Administration regarding their applicability.

If you have any questions, please contact me at (202) 622-8500 or John R. Wright, Director, at (202) 927-7077.

Attachment

NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 U.S.C. § 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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